

**Lender Narrative –
Operating Loss Loan
Section 232/223(d)**

**U.S. Department of Housing
and Urban Development
Office of Residential
Care Facilities**

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Public reporting burden for this collection of information is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The information is being collected to obtain the supportive documentation that must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived from the National Housing Act Section 232 Healthcare Facility Insurance Program. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

Warning: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

Privacy Act Statement: The Department of Housing and Urban Development, Federal Housing Administration, is authorized to collect the information requested in this form by virtue of: The National Housing Act, 12 USC 1701 et seq. and the regulations at 24 CFR 5.212 and 24 CFR 200.6; and the Housing and Community Development Act of 1987, 42 USC 3543(a). The information requested is used to review applications within HUD. No information will be disclosed outside of HUD. The information requested is mandatory to receive the mortgage insurance benefits to be derived from the National Housing Act Section 232 Healthcare Facility Insurance Program. No applications will be reviewed or approved without the necessary information requested. No confidentiality is assured.

INSTRUCTIONS:

The narrative is a document critical to the Lean Underwriting process. Each section of the narrative and all questions need to be completed and answered. If the lender’s underwriter disagrees and modifies any third-party report conclusions, provide sufficient detail to justify. The narrative should identify the strengths and weaknesses of the transactions and demonstrate how the weaknesses are mitigated by the underwriting.

- **Charts:** The charts contained in this document have been created with versatility in mind; however they will not be able to accommodate all situations. For this reason, you are allowed to alter the charts as the situation demands. Be sure to state how you have altered the charts along with your justification. Include all the information the form calls for. Charts that include **blue** text indicate names that should be modified by the lender as the situation dictates.
- **Applicability:** If a section is not applicable, state so in that section and provide a reason. Do not delete a section heading that is not applicable. The narrative will be checked to make certain all sections are provided. If a major section is not applicable, add “– Not Applicable” to the heading and provide the reason. For instance:

Parent of the Operator – Not Applicable

This section is not applicable because there is no operator.

The rest of the subsections under the inapplicable section can then be deleted. This instruction page may also be deleted.

- **Format:** In addition to submitting the PDF version of the Lender Narrative to HUD, please also submit an electronic Word version.

Instead of pasting large portions of text from third-party reports into the narrative, it is preferred that the lender simply reference the page number and the report. The focus of this document is for lender conclusions, analyses, and summaries.

Italicized text found between these characters <<*EXAMPLE*>> is instructional in nature, and may be deleted from the lender's final version. Please use the gray shaded areas (e.g.) for your response. Double click on a check box and then change the default value to mark selection (e.g.)

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Executive Summary

FHA number:			
Project name:			
Project location:	<<street address, city, county, state and zip>>		
Lender's name:			
Lender's UW:		UW trainee:	
Borrower:			
Operator:			
Parent of operator:			
Management agent:			
General contractor:			
License holder:	<input type="checkbox"/> Borrower	<input type="checkbox"/> Operator	<input type="checkbox"/> Management agent
Section 38 of the Regulatory Agreement shall apply to the following individuals and/or entities (list name(s)):			

Purpose of loan: Supplemental financing to reimburse mortgagor and its principals for operating losses.
 Essential element of a workout strategy designed to avert a HUD claim.

		Licensed	Operating		Licensed	Operating	
Type of facility:	<input type="checkbox"/> Skilled Nursing (SNF):			beds			units
	<input type="checkbox"/> Assisted Living (AL):			beds			units
	<input type="checkbox"/> Memory Care (AL):			beds			units
	<input type="checkbox"/> Board & Care (B&C):			beds			units
	<input type="checkbox"/> Independent Living (IL):			beds			units
Total:				beds			units

Current insured loan(s):

Original Section of the Act: _____
 FHA number: _____
 Original loan amount: _____
 Current interest rate: _____
 Maturity date: _____
 Original terms (in months): _____
 Principal & interest (monthly): _____
 MIP (monthly): _____
Total P+I+MIP (monthly): _____
 Debt service coverage: _____
 Principal balance: _____

Proposed 223(d) supplemental loan terms

Date facility built: _____
 FHA number: _____
 Proposed loan amount: _____
 Proposed interest rate: _____
 Proposed maturity date: _____
 Proposed term (in months): _____
 Principal & interest (monthly): _____
 MIP (monthly): _____
Total P+I+MIP (monthly): _____

As of: _____
 Replacement reserve balance: _____
 As of: _____

TOTAL INSURED MORTGAGES:
Total combined debt service coverage: _____

Third-party reports provided:

Operating Loss Audit Conclusion is: Accepted as is. Modified by underwriter.

Sensitivity Analysis

<<Provide a Sensitivity Analysis and identify sensitivities that exist. For example, the analysis shall provide the following: >>

If everything else under consideration remains the same (ceteris paribus), then:

- (a) The average rental rate can drop by \$_____ per month and still provide 1.0 debt cover.
- (b) Occupancy rate could decrease by _____% and still provide a 1.0 debt cover.
- (c) Operating expenses could increase _____% per year and still provide a 1.0 debt cover.
- (d) The NOI could drop by \$_____ (_____ %) and still provide a 1.0 debt cover.
- (e) Medicaid Rate could decrease by \$_____ (_____ %) and still provide a 1.0 debt cover.
- (f) Medicaid Census could decrease by _____% and still provide a 1.0 debt cover.

Explanation of Operating Loss

Key Information

Cost certification cut-off (month/year): _____
 Sustained stabilization reached (month/year): _____
 Operating deficit escrow at initial closing: _____
 Working capital escrow at initial closing: _____
 24-month operating loss for this loan: _____
 Operating loss for entire lease-up: _____

<<Provide narrative explanation of loss, how borrower performed during loss, and how the project has stabilized.>>

Lender Loan Committee

Date of loan committee: _____
 Loan committee process: _____
 Loan committee conditions: _____

<<Provide brief narrative summary of loan committee, including: information provided; any pertinent requirements/conditions of the loan committee to gain the committee's recommendation.>>

Program Eligibility

Check all applicable qualifiers to confirm eligibility:

- Existing loan is currently HUD-insured and is not HUD-held.
- Existing loan is 232 New Construction, Substantial Rehabilitation, or Blended Rate
- Two years have elapsed since the date of the final trip report.
- All funds in the original operating deficit escrow have been disbursed.
- All cost certification requirements have been satisfied.
- Final endorsement has occurred.
- Loss period does not exceed two years.
- An allowable loss has been experienced and is evidenced by audited financials.
- Sustaining occupancy has been attained or may be projected in approved workout strategy.
- The mortgagee-of-record for the current HUD-insured loan has assented, in writing, to this supplemental loan.
- The competence and responsibility of the operator and/or management agent has been established to the satisfaction of the lender.
- Current borrower entity owned project during loss period.

For Section 223(d)(2):

- Loss occurred within the first 24 months of the cost cut-off date.
- Submission of this application is within 3 years of the end of the loss period.

For Section 223(d)(3):

- Submission of this application is within 3 years of the end of the loss period.
- Loss occurred within a 24 consecutive month period.
- Loss period is within first 10-years of cost cut-off date.
- Submission of this application is within 10 years of the end of the loss period.
- The project does not receive Section 8 rental assistance payments.

Waivers

<<Identify and discuss any waivers received or requested.>>

Special Underwriting Considerations

Key Questions

	Yes	No
1. Was an underwriter trainee involved in underwriting this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is a mortgage broker involved in this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is accounts receivable financing involved with this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are there any surplus cash notes or other obligations of the mortgagor other than the HUD-insured mortgage?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there any professional liability insurance issues that require special consideration?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any special escrows or reserves proposed for this transaction?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are there any other issues that require special or atypical underwriting consideration?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion regarding the topic, describing the risk and how it is mitigated.>>

Risk Factors

Key Questions

	Yes	No
1. Is the borrower entity behind on its mortgage payments?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the borrower, the operator, or any of their affiliates renamed or reformulated companies, filed for or emerged from bankruptcy within the last five (5) years?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is this a “special use facility”—one that serves a “niche” type of market (e.g., psychiatric facilities; drug, alcohol, or eating disorder recovery facilities; hospice facilities; or short-term rehabilitation facilities)?	<input type="checkbox"/>	<input type="checkbox"/>
4. Is this an Intermediate Care Facility (ICF), Institution for Mental Diseases (IMD), or any other type of facility that caters to a significant population with mental illness (MI), developmental disabilities (DD) or individuals with intellectual disabilities (IID)?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is the project in a state with an Olmstead Plan, pending Olmstead-related cases, an Olmstead-related settlement agreement or order, or is the project’s state active in initiatives to “right-size” nursing facilities or otherwise working to “rebalance” long-term supports and services toward home and community-based settings?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the project rely on Medicaid Waivers or State Plan Options for a significant portion of its resident population, MI/DD residents, or for residents in the assisted living portion of a combined SNF/ALF Facility, subjecting it to HCBS Settings requirements?	<input type="checkbox"/>	<input type="checkbox"/>

Yes No

7. Is the operator, parent company, affiliates or subsidiaries the subject of an ongoing investigation or judicial or administrative action involving any Federal, State, municipal and/or other regulatory authority, which could have a detrimental impact on the operator's financial condition or may jeopardize the operator's license and or its provider agreements?

<<For each "yes" answer above, provide a narrative discussion regarding the topic.>>
If you answer "yes" to question 3, the narrative discussion should include an analysis of the following: 1. The long-term viability of funding sources for this client group; 2. The facility's ability to maintain stabilized occupancy over the long term, and/or the ability to fill the beds occupied by residents with the special use diagnosis, should the funding source cease; this analysis should include a demonstration that a market exists for increasing reliance on a more "traditional" SNF resident; 3. The extent of the successful experience of the operator in dealing with the contemplated population; 4. How the principals of this facility address the higher risk associated with the targeted population (e.g. higher Professional Liability Insurance, etc.); 5. The facility's capacity to continue servicing the debt in the event that market/provider payment changes dictate that alternative/modified uses of the subject portion of the facility be pursued; and 6. Risk Mitigation.

If you answer "yes" to question 5, the narrative discussion should include a discussion of any of the state's efforts above that might have an impact on the subject facility and what efforts the owner and/or operator will take to respond to these impacts. Be sure to reference the grantee state's strategy for moving the following populations: the elderly from skilled nursing facilities, individuals with intellectual or developmental disabilities (ID/DD) from ICFs, the physically disabled, non-elderly from skilled nursing facilities or the mentally ill from psychiatric facilities or other facilities, as appropriate.

If you answer "yes" to question 6, the narrative discussion should include a discussion of the facility's compliance with the HCBS Settings requirements. The discussion might include State's progress in implementing the HCBS Settings Rule, references to the Statewide Transition Plan, CMS responses to or approval of the Plan, State Regulatory language, or State Medicaid Agency input. If it appears that the facility will not, or will not be able, to comply with the Rule, the Lender should provide a Sensitivity Analysis showing the project's ability to operate without these residents.

Other Risk Factors Identified by Lender

Additionally, the lender has identified the following risk factors:

<<Provide discussion on other risk factors identified by the lender and how they are mitigated.>>

Strengths

<<Provide discussion of the strengths of the transaction.>>

Underwriting Team

Lender

Name: _____

Underwriter: _____

Underwriter trainee: _____

Lender #: _____

Site inspection date: _____

Inspecting underwriter: _____

Lender's Underwriter

<<Brief description of qualifications. >>

Underwriter Trainee (if applicable)

<<Brief description of qualifications.>>

Auditor

CPA: _____

Firm: _____

Identities-of-Interest

Key Questions

	Yes	No
1. Have you, as the lender, identified any identities of interest on your certification?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the borrower's certification indicate any identities of interest?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are there any identity-of-interest issues involving the underwriting lender, the existing lender or note holders, or the mortgage broker?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the lender know, or have any reason to believe, that any of the assertions in the other Consolidated Certifications submitted herewith, are inaccurate or incomplete?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each "yes" answer above, provide a narrative discussion regarding the topic.>>

ALTA/ACSM Land Title Survey

Date: _____

Firm: _____

Key Questions

	Yes	No
1. Have there been any material changes in the legal description of the property since the date of the existing survey (e.g., due to a partial release, the addition of property or both)?	<input type="checkbox"/>	<input type="checkbox"/>
2. Have any new easements affecting the property been granted since the date of the existing survey (other than blanket easements or other easements that clearly do not conflict with use of project facilities, as determined by HUD)?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have any additional improvements (including driveways and parking areas) been constructed on the property since the date of the existing survey?	<input type="checkbox"/>	<input type="checkbox"/>

If you answer “no” to all of the above questions, copies of the most recent signed and certified “as-built” survey, accepted by HUD, must be provided (originals are not required). No further review is needed. If copies are not available, a current “as-built” survey, confirming to the HUD Survey Instructions & Owner’s Certification may be required and the ALTA/ACSM Land Title Survey addendum must be attached to this narrative. If a current “as-built” survey is submitted, COMPLETE THE KEY QUESTIONS BELOW.>>

<<If you answer “yes” to any of the above questions, a current “as-built” survey, confirming to the HUD Survey Instructions & Owner’s Certification is required. COMPLETE THE QUESTIONS BELOW.>>

	Yes	No
4. Are there any differences between the legal description on the survey and legal description included in the pro forma title policy, third party appraisal, Phase 1 and Exhibit A of the Firm Commitment?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there any revisions or modification required to the survey prior to closing?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the survey indicate any boundary encroachments?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the survey evidence any buildings encroaching on utility or other easements or rights-of-way?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are there any unusual circumstances or items that require special attention or conditions?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated and the effect on value or the marketability of the project. For

example, “**Encroachments**: The survey indicates an encroachment of the adjoining property fence on the easterly portion of the property. An encroachment endorsement will be received at closing. There is no impact on the value or marketability of the project.>>

Title

Title Search

Date of search: _____
 Firm: _____
 File number: _____

Key Questions

	Yes	No
1. Is the title currently vested in an entity or individual other than the proposed borrower?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the report indicate that delinquent real estate taxes are owed?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the report indicate any outstanding special assessments?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the report identify any outstanding debt that is not disclosed on the borrower’s listing of outstanding obligations?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there or will there be any Use and Maintenance Agreements associated with this facility?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Pro-forma Policy

Date/Time: _____
 Firm: _____
 Policy Number: _____

Key Questions

	Yes	No
1. Is the title vested in an entity or individual other than the proposed borrower?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are there any covenants, , encumbrances, liens, restrictions, or other exceptions indicated on Schedule B-1?	<input type="checkbox"/>	<input type="checkbox"/>
a. Are there any use or affordability restrictions remaining in effect on the property?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are there any use or affordability restrictions remaining in effect on the property?	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| 4. Are there any easements or rights-of-way listed that are not indicated on the survey? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there any endorsements included aside from the standard HUD-required endorsements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any subordination agreements, encroachments or similar issues that require HUD's approval? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are there any other matters requiring special consideration, agreements, or conditions that require HUD's attention? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are there any easements, rights-of-way, encroachments, etc., identified on Schedules B-1 and B-2 that, in the lenders opinion, affect value or the marketability of the project? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each "yes" answer above, provide a narrative discussion regarding the topic. For example, "**Additional Endorsements**: As described in the Risk Factors section of the narrative, the XXXX does not conform to the past or current zoning requirements. The lender recommends...>>

Historical Operations

Occupancy History

A summary of the subject’s occupancy is provided below.

(Double click inside the Excel tables to add information. You may delete rows for care types that do not apply.)

CARE TYPE	Historical Occupancy	Year ending xx/xx/xx	Year ending xx/xx/xx	Year ending xx/xx/xx	T-12 specify dates	Appraisal (Market)	Lender (for DSCR)
Skilled Nursing	Potential Days						
	Actual Days						
	Occupancy	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Assisted Living /Board & Care	Potential Days						
	Actual Days						
	Occupancy	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Memory Care	Potential Days						
	Actual Days						
	Occupancy	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Independent Living	Potential Days						
	Actual Days						
	Occupancy	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Other	Potential Days						
	Actual Days						

<<Provide a brief narrative discussion the occupancy of conclusions. Address any significant shifts in occupancy. >>

Census Mix History

<<The percentages should be based on people not dollars.>>

(Double click inside the Excel Tables to add information)

Source	Year ending xx/xx/xx	Year ending xx/xx/xx	Year ending xx/xx/xx	T-12 specify dates	Appraisal	UW
Private-pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medicaid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. V.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. HMO (Insurance)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e.g. Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Rent Schedule

The rent schedule is currently as follows:

<<Insert a summary chart of the rent schedule here that shows rents, number of units, and room/service types.>>

<<Discuss the subject Rent Schedule. For skilled nursing and other facilities, a daily rate may be more appropriate than a monthly conclusion. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.>>

Historical Revenue Summary

<<Please adapt the chart to show the income sources specific to your facility. Bad debt can either included in the table below or dealt with as an expense. >>

History by Revenue Source

(Double click inside the Excel Tables to add information)

Period	Year Ending xx/xx/xx			Year Ending xx/xx/xx			Year Ending xx/xx/xx		
	Total \$	# of Days	Per Day	Total \$	# of Days	Per Day	Total \$	# of Days	Per Day
Income Source									
SN-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
SN-Medicaid			#DIV/0!			#DIV/0!			#DIV/0!
SN-Medicare (Part A)			#DIV/0!			#DIV/0!			#DIV/0!
SN-HMO/Ins/Medicare (Part C)			#DIV/0!			#DIV/0!			#DIV/0!
SN-Veterans Admin (VA)			#DIV/0!			#DIV/0!			#DIV/0!
SN-Other Payors			#DIV/0!			#DIV/0!			#DIV/0!
AL/B&C-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
AL/B&C-Medicaid			#DIV/0!			#DIV/0!			#DIV/0!
MC-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
MC-Medicaid			#DIV/0!			#DIV/0!			#DIV/0!
MC-Other Payors			#DIV/0!			#DIV/0!			#DIV/0!
IL-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
IL-Other Payors			#DIV/0!			#DIV/0!			#DIV/0!
Residential Revenue Achieved	\$0	0	#DIV/0!	\$0	0	#DIV/0!	\$0	0	#DIV/0!
Medicare Part B									
e.g. Therapy									
e.g. Level of Care Fees									
e.g. Second Occupant Fees									
e.g. Commercial Space									
e.g. Day Care									
Effective Gross Income	\$0	0	#DIV/0!	\$0	0	#DIV/0!	\$0	0	#DIV/0!

Period	Year Ending xx/xx/xx			Appraisal (Market)			Lender (for DSCR)		
	Total \$	# of Days	Per Day	Total \$	# of Days	Per Day	Total \$	# of Days	Per Day
Income Source									
SN-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
SN-Medicaid			#DIV/0!			#DIV/0!			#DIV/0!
SN-Medicare (Part A)			#DIV/0!			#DIV/0!			#DIV/0!
SN-HMO/Ins/Medicare (Part C)			#DIV/0!			#DIV/0!			#DIV/0!
SN-Veterans Admin (VA)			#DIV/0!			#DIV/0!			#DIV/0!
SN-Other Payors			#DIV/0!			#DIV/0!			#DIV/0!
AL/B&C-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
AL/B&C-Medicaid			#DIV/0!			#DIV/0!			#DIV/0!
MC-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
MC-Medicaid			#DIV/0!			#DIV/0!			#DIV/0!
MC-Other Payors			#DIV/0!			#DIV/0!			#DIV/0!
IL-Private-pay			#DIV/0!			#DIV/0!			#DIV/0!
IL-Other Payors			#DIV/0!			#DIV/0!			#DIV/0!
Residential Revenue Achieved	\$0	0	#DIV/0!	\$0	0	#DIV/0!	\$0	0	#DIV/0!
Medicare Part B									
e.g. Therapy									
e.g. Level of Care Fees									
e.g. Second Occupant Fees									
e.g. Commercial Space									
e.g. Day Care									
Effective Gross Income	\$0	0	#DIV/0!	\$0	0	#DIV/0!	\$0	0	#DIV/0!

<<In the charts above, the most recent reporting period must be presented as the 12 trailing months (T-12) of income that overlaps into the prior reporting period.

Above you are asked to report the number of resident days, not occupied units. Although

Assisted Living is typically reported on an occupied unit basis, we ask that you convert that number to resident days. Do not enter potential gross incomes here, but rather effective gross income, wherein vacancy has already been accounted for.>>

<<Discuss any departures from historical reimbursements, mix, and trends here.>>

<<Provide narrative discussion and support for each other income category as appropriate. An equivalent analysis of the information provided above is required. Additional analysis can be provided at the lender's option to support their conclusion, as appropriate.

*Example: **Additional Personal Care Fees:** The project bases additional care fees on levels of care needed as determined by the initial assessment and subsequent assessments as needed. The appraiser concludes to a net amount of \$X annually. The underwriter has analyzed the history to determine the average monthly charge of \$X, net of vacancies. Insert historical or comparable data as appropriate.*

*Example: **Second Occupant Income:** The appraiser has included a net annual projection of X second occupants at \$X per month. Over the last 12 months, the facility has averaged X second occupants per month. Competitive facilities in the market place report second occupant charges ranging between \$X and \$X with a range of X to X second occupants. Based on the history and the market, the underwriter concurs with the appraiser's conclusion for a net annual income of \$X.*

*Example: **Other Income:** In addition to room rents, additional care, and second occupant income, the project receives miscellaneous income from X (list miscellaneous). The appraiser has included a net annual projection of \$X. Historically, typical miscellaneous income is between X and X percent of effective income. The appraiser's conclusion is x. The underwriter has concluded to a net \$X per annum (calculation shown). >>*

*<<**Instructions:** Each type of care should have its own subsection below discussing the Payor source identified in the rent schedule, as demonstrated below. You may delete the sections (Skilled Nursing, Assisted Living, and Independent Living) that do not apply to your subject. >>*

Expenses

The appraiser concludes to total expenses of \$ including reserve for replacement of \$. The underwriter concludes to total expenses of \$ including reserve for replacement of \$. An analysis of subject's history is provided below. The appraiser also compared the subject's expense conclusions to comparable projects located in .

<<Explain how the appraiser's expenses used for valuing the facility differ from the expenses used by the lender for the Debt Service Coverage analysis. Typically, these may differ in the categories of reserves, management fee, and taxes. The appraiser's numbers will represent market expenses and the lender's expenses for DSC analysis will represent what will actually be paid. >

Historic Comparison

<<The data in the following table must be in totals, not per resident day or per occupied unit. Cells with grey shading will calculate automatically. You are given some latitude in defining the expense categories. The expense categories in black text are required items. Data is to be presented in the form of trailing 12 months (T-12) of expense. The lender must include the most current historical income and expense data available to them, and not the dated information from the appraisal.>>

Expense Analysis –Subject

(Use totals not per patient day/occupied bed)
(Double click inside the Excel Table to add information)

Expense Categories	Year Ending xx/xx/xx	Year Ending xx/xx/xx	Year Ending xx/xx/xx	T-12 Ending xx/xx/xx	Appraisal (Market)	Lender's DSC
e.g. General & Administrative						
e.g. Payroll Taxes and Benefits						
e.g. Resident Care						
e.g. Food Services						
e.g. Activities						
e.g. Housekeeping & Laundry						
e.g. Maintenance						
e.g. Utilities						
e.g. Insurance (property & liability)						
e.g. Marketing and Promotion						
e.g. Ground Rent						
e.g. Bad Debt						
Other (add lines as needed)						
Sub-total	\$0	\$0	\$0	\$0	\$0	\$0
Real Estate (Property) Taxes						
Management Fees						
Replacement Reserves						
Total Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Expense Percentage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Normalization Calculations						
Deduct Actual Taxes	\$0	\$0	\$0	\$0		
Add Market Rate Taxes	\$0	\$0	\$0	\$0		
Deduct Actual Management Fee	\$0	\$0	\$0	\$0		
Add Market Management Fee @ 0.0%	\$0	\$0	\$0	\$0		
Deduct Actual Reserves for Replacement	\$0	\$0	\$0	\$0		
Add Market Reserves by Appraiser	\$0	\$0	\$0	\$0		
Normalized Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Normalized Expense Percentage	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Actual # Res. Days from Occupancy table						
Normalized Expense per Res Day	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Effective Gross Income						
Net Operating Income	\$0	\$0	\$0	\$0	\$0	\$0

<<Provide narrative discussion of historical information. Include three full years of data plus any partial years as available. For skilled nursing and other facilities, resident days are more appropriate than units available per year. For continuum of care facilities (e.g., skilled and assisted living), it may be appropriate to provide a separate schedule for each care type.

Address any significant fluctuations/anomalies in the historical data. Comment on any expenses

that were reimbursable, such as a provider tax, and how they were incorporated into the historical table.

Address adjustments made to historical data for one-time expenditures, capital expenditures, etc.>>

Borrower

Name: _____
 State of organization: _____
 Date formed: _____
 Termination date: _____
 Fiscal year-end date: _____

Key Questions

	Yes	No
1. Does the borrower currently own any assets other than the property or participate in any other businesses?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is or has the borrower been delinquent on any federal debt?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is or has the borrower been a defendant in any suit or legal action?	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the borrower ever filed for bankruptcy or made compromised settlements with creditors?	<input type="checkbox"/>	<input type="checkbox"/>
5. Are there judgments recorded against the borrower?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are there any unsatisfied tax liens?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the borrower a Real Estate Investment Trust (REIT)?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the borrower a non-profit or public entity <u>and</u> are the non-profit mortgage criteria utilized in the underwriting? (If yes, the operator must also be a non-profit entity.)	<input type="checkbox"/>	<input type="checkbox"/>
9. Is the single asset borrower entity registered outside the United States and/or in a state other than where their corporate office is located?	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the single asset borrower entity fail to have at least one principal, with operational decision-making authority, as a United States Citizen?	<input type="checkbox"/>	<input type="checkbox"/>
11. Have any principals of the borrower changed or are any such changes proposed that have not been approved by HUD?	<input type="checkbox"/>	<input type="checkbox"/>

<<As applicable, for each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. If there has been a change in a Principal of the Borrower that has not been approved by HUD, the Lender must contact the assigned ORCF Account Executive to complete the appropriate Form HUD-92266-ORCF, Lender Narrative, Change of Participant document for HUD approval. Provide a discussion and status of the submission.>>

Organization

<<Provide organization chart and narrative, as applicable. At a minimum, all principals of the borrower must be identified.>>

Operator

Name: _____

State of organization: _____

Date formed: _____

Termination date: _____

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Does the operator currently own or operate any assets other than the subject property or participate in any other businesses? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Has there been a change in the operator that has not been approved by HUD, or is such a change proposed? | <input type="checkbox"/> | <input type="checkbox"/> |

<< For each "yes" answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. If there has been a change in the Operator that has not been approved by HUD, the Lender must contact the assigned ORCF Account Executive to complete the appropriate Form HUD-92266A-ORCF, Lender Narrative, Change of Operator document for HUD approval.>>

Organization

<<Provide an organization chart and narrative. At a minimum, all borrower principals must be identified.>>

Management Agent

Name: _____

Relation to borrower: <<owner managed/IOI entity/independent/other>> _____

Management Agreement (as applicable)

Date of agreement: _____

Agreement expires: _____

Management fee: _____

Key Questions

	Yes	No
1. Does the agreement fail to sufficiently describe the services the agent is responsible for performing and for which the agent will be paid management fees?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the agreement fail to state that the management fees will be computed and paid according to HUD requirements?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the agreement fail to state that HUD may require the owner to terminate the agreement without penalty and without cause upon written request by HUD and contain a provision that gives no more than a 30-day notice of termination?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the agreement fail to state that HUD's rights and requirements will prevail in the event the management agreement conflicts with them?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the agreement fail to state that the management agent will turn over to the owner all of the project's cash trust accounts, investments, and records immediately, but in no event more than 30 days after the date the management agreement is terminated?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the agreement exempt the agent from gross negligence and or willful misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the Form HUD-9839-ORCF inconsistent with the Management Agreement?	<input type="checkbox"/>	<input type="checkbox"/>
8. Has there been a change in the management agent or management agreement that has not been approved by HUD, or is such a change proposed?	<input type="checkbox"/>	<input type="checkbox"/>

<<For each "yes" answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. If there has been a change in the Management Agent that has not been approved by HUD, the Lender must contact the assigned ORCF Account Executive to complete the appropriate Form HUD-92266B-ORCF, Lender Narrative, Change of Management Agent document for HUD approval.>>

Accounts Receivable (A/R) Financing

Key Questions

	Yes	No
1. Does the subject project have Accounts Receivable (AR) financing that has not been approved by HUD, or is a change proposed?	<input type="checkbox"/>	<input type="checkbox"/>

<<If yes, the Lender must contact the assigned ORCF Account Executive to complete the appropriate Form HUD-90031-ORCF, Lender Narrative, Accounts Receivable financing document for HUD approval.>> Operation of the

Facility

Subject's State Surveys

The application includes the following state surveys issued on the following dates over the last three (3) years of operations: (State when the survey was conducted and when the project was found in compliance.)

3 Years of Survey Inspections

Date of survey/inspection	Date state issued letter approving POC

Key Questions

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do the state surveys identify any instances of actual harm and/or immediate jeopardy (during last 3 year period)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do prior surveys (during last 3 year period) contribute to a pattern of findings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there currently any open findings? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each "yes" answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated. Example: **General Review and Findings:** Provide narrative description of review. For example: "The {date} state survey inspection letter indicates that there were X deficiencies. The deficiencies constitute a pattern of findings, or repetitive findings from survey to survey, resulting in repeat deficiencies and civil money penalties of \$XXX...">>

Risk Management Program

Program Guidance: See Risk Management Program grid on the Section 232 program website for additional guidance. Note that the below tier descriptions are general descriptions and HUD retains discretion to require additional risk management measures, as warranted, on a case by case basis.

Risk Management Tier General Descriptions:

Tier 1 Baseline: For most assisted living and low-risk skilled nursing projects with no more than one incident of actual harm/immediate jeopardy in the past three years. In these instances, the risk management program may be administered internally or by a third party provided the party administering the program is qualified.

Tier 2 Elevated Risk: Higher risk projects with two more incidents of actual harm/immediate jeopardy within the past three years. In these instances the risk management program should be administered by a third party.

(Note both Tier and Internal/External)

<input type="checkbox"/> Tier 1 Baseline	<input type="checkbox"/> Internally Administered Risk Management Program
<input type="checkbox"/> Tier 2 Elevated Risk	<input type="checkbox"/> External 3 rd Party Administered Risk Management Program

Describe the Risk Management Program and how it meets the following requirements

1. Real-time incident reporting and tracking that informs senior management:
2. Experience of Staff:
3. Training:
4. Continuous Improvement:

<<If a third party is involved, describe the contractual arrangement, what company has been contracted, what the contract provides for, when the contract was entered into, when it expires, what results have been seen thus far if the contract has been in place, etc..>>

Compliance

Key Questions

	Yes	No
1. <u>State Inspection</u> : Are there currently any open findings of “G” or higher resulting from State survey inspections? If yes, include the State survey inspection in the firm application and explain below.	<input type="checkbox"/>	<input type="checkbox"/>
2. <u>Medicare star rating</u> : Is the project currently rated 1 or 2 stars?	<input type="checkbox"/>	<input type="checkbox"/>
3. <u>REAC inspection</u> : Are there currently outstanding repairs resulting from the last REAC inspection? <i>(In the space below, summarize the most recent REAC Inspection Summary Report, HUD-93332-ORCF Certification of Exigent Health & Safety (EH&S) Issues, and HUD-93333-ORCF Borrower’s Certification of Physical Condition Compliance.)</i>	<input type="checkbox"/>	<input type="checkbox"/>
4. <u>Active Partners Performance Systems (APPS)</u> : Are there currently any open flags in APPS pertaining to the owners or the facility? Please explain below. (Note: The borrower may need to authorize ORCF to release this information to the proposed 223(a)(7) lender.)	<input type="checkbox"/>	<input type="checkbox"/>
5. <u>Discrepancies on the facility license</u> :	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No |
|---|--------------------------|--------------------------|
| a. Does the operator entity name differ from the entity name listed on the license? | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Does the license not cover the correct number of units? | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered “yes” to any of the above questions, please discuss any open findings or issues, and their resolutions.

Operating Lease

Program Guidance: Handbook 4232.1, Section II Production, Chapter 8.6, Operating Lease Requirements

Date of agreement: _____

Current lease term expires: _____

Description of renewals: _____

Current lease payment: _____

Major movable equipment:

Current ownership: <<borrower/operator>>

Post-closing ownership: <<borrower/operator>>

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is or will the facility be subleased (master lease)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. At closing, will the lease have a term that expires within 5 years with no lease renewal options (see guidance above)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the lease contain any non-disturbance provisions? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the lease require the borrower to escrow any funds other than those associated with this loan? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there proposed changes to the current operating lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Has the lender recommended any special conditions concerning the lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does the current lease payment need to be increased to provide sufficient debt coverage for the mortgage payment, MIP, other insurance premiums, taxes, reserves, or impounds? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk and how it will be mitigated.>>

Lease Payment Analysis

The lease payments must be sufficient to (1) enable the borrower to meet debt service and impound requirements and (2) enable the operator to properly maintain the project and cover operating expenses. The minimum annual lease payment must be at least 1.05 times the sum of the annual principal, interest, mortgage insurance premium, reserve for replacement deposit, property insurance and property taxes.

The underwriter has prepared an analysis demonstrating the minimum annual lease payment.

a.	Annual principal and interest	\$
b.	Annual mortgage insurance premium	
c.	Annual replacement reserves	
d.	Annual property insurance	
e.	Annual real estate taxes	
f.	Total debt service and impounds	\$
h	Minimum annual lease payment	\$
.		

<<Compare the minimum annual lease payment to the current lease payment. If the lease payment needs to increase, add the following language: “The lease payment must be increased to \$XX per year (\$XX per month). The underwriter has included a special condition to the firm commitment requiring the lease payment be revised to meet or exceed this minimum.” If the lease payment does not need to increase, add the following language: “The current lease payment is sufficient. The recommended annual lease payment also provides the operator with an acceptable profit margin.”>>

Responsibilities

<<Provide a description of the responsibilities of the borrower and operator under the terms of the lease with regard to the following: payment of real estate taxes, maintenance of building, capital improvements, replacement of equipment, property insurance, etc.>>

HUD Lease Provisions

<<Confirm that the operating lease will include the HUD-91116-ORCF Addendum to Operating Lease. >>

Insurance

Professional Liability Coverage

Professional Liability Insurance Coverage (PLI)

Program Guidance: Handbook 4232.1, Section II Production, Appendix 14.1.

Name(s) of Insured: _____

Insurance company: _____

Rating: _____ Rater: _____

Insurance company is licensed
in the United States: Yes No

Statute of limitations: _____

Current coverage: Per occurrence: _____

Aggregate: _____

Deductible:

Policy Basis: Per occurrence Claims made

Current Expiration: _____

Retroactive Date: _____

Policy Premium: _____

Summary of Six-Year Loss History for Operator or its Parent of Operator				
Year	Total claims paid under this policy (dollars)	Total claims paid under this policy (no. of claims)	Total bed count covered under the policy	Dollars paid in claims per bed
1				
2				
3				
4				
5				
6				
Total/average				

Key Questions

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Does the insurance policy cover multiple properties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is less than 6 years of lost history available? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the loss history indicate any professional liability claims over \$35,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Does the loss history or potential claims certification indicate any uncovered claims? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Does the loss history or potential claims certification indicate any claims that would exceed the per occurrence or aggregate coverage limits at the facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Has the facility been covered by a “claims made” policy at any time during the statute of limitations for the State in which the facility is located? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is the policy funded on a “cash front” basis? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is an actuarial study applicable (self-insurance)? <i>(If yes, discuss results below.)</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. For all facilities Owned, Operated or Managed by the operator and/or parent of the operator, are there any surveys/reports that have open G-level or higher citations outstanding? (As appropriate, provide a complete analysis of the surveys.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Are any entities that provide resident care (as discussed in the Provider Agreements and Resident Care Agreements/Rental Agreements) not covered by the PLI policy? | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Are there any PLI issues that require special consideration? | <input type="checkbox"/> | <input type="checkbox"/> |

<<For each “yes” answer above, provide a narrative discussion on the topic describing the risk

and how it will be mitigated.

*Example: **1. Multiple properties:** The underwriter notes that the professional liability policy is a ‘blanket’ policy covering XXX facilities, including the subject...{address potential impact of other facilities on the subject’s coverage}*

*Example: **2. Less than 6-year loss history:** The claims history reports were examined for the period XX through XX. The underwriter determined that there were no professional liability XX claims during that period... {Address claims and sufficiency of coverage, etc. based on history}.*

*Example: **Claims made coverage:** The project’s previous professional liability insurance coverage was a “claims made” form policy with XXXX, which expired XXXX, when the current policy was put in place. In XXXX the borrower purchased a “nose coverage” policy which is the coverage needed when going from a “claims made” form of insurance to a “per occurrence” form of insurance. The premium for this “nose” coverage liability was a one-time charge and was paid in XXX. Because of that additional insurance coverage, the insurance expense for XXXX was substantially higher than the current expense. The current “per occurrence basis” insurance policy covers the entire statute of limitations. The project’s professional liability insurance is in compliance with HUD’s requirements. >>*

Lawsuits

<<Identify all potential or expected professional liability insurance (PLI) claims in excess of \$35,000 that have been or may be filed for all periods within the statute of limitations for the state where the claim occurred. Identify any reserves held for potential claims. Discuss the risk associate with each potential PLI claim. Discuss how that risk is mitigated. Describe the circumstances, identify the potential award amount, provide evidence and analysis showing that the suits are covered by PLI insurance, and if the insurance is not sufficient, does the insured demonstrate adequate funds to cover the potential excess? Describe any other information that mitigates the risk.

As applicable, discuss other types of lawsuits (non-PLI) and describe the potential risk related to the party’s participation in the proposed project. Discuss how that risk is mitigated. If the suit is closed, does it contribute to a pattern? Does it materially affect the party’s ability to participate in the project? If not closed, describe the circumstances, identify the potential award amount, provide evidence and analysis showing that the suits are covered by insurance (general liability), and if the insurance is not sufficient, do they demonstrate adequate funds to cover the potential excess? Describe any other information that mitigates the risk.>>

Recommendation

<<Provide narrative recommendation regarding acceptability of professional and general liability insurance. For example: “The borrower’s professional and general liability insurance was analyzed in accordance with Handbook 4232.1, Section II Production, Chapter 14 and Appendix 14.1.). The property has XX current potential (threatened) insurance claims at this

time as reflected on the certification provided by the borrower. It is {lender’s} opinion that the information provided above and in the application sufficiently demonstrates that the existing professional liability coverage meets HUD’s requirements and that the risk from professional liability issues is sufficiently addressed. No modifications to the current coverage are recommended.”>>

Property Insurance

<<Provide narrative discussion of policy coverages as applicable, including property damage, ordinance and law coverage, and boiler and machinery/equipment breakdown insurance. . For example: “Property insurance will be provided by XX. The underwriter has confirmed estimates of the cost and coverage for underwriting and will re-verify this information prior to closing. The insurance coverage will comply with HUD requirements prior to closing.”>>

Fidelity Bond/Employee Dishonesty Coverage

<<Provide narrative discussion of fidelity bond/crime insurance coverage. For example: “The current insurance policy reflects fidelity (crime) insurance with the limit of \$XX and \$XX deductible. The HUD requirement for at least two months **potential** gross income receipts would total \$XX. The current level of coverage is sufficient for this project.” If not sufficient, recommend commitment condition.

Mortgage Loan Determinants

Overview

The mortgage criteria shown on the Form HUD-92264a-ORCF are summarized as follows:

Requested amount:	\$
Amount based on debt service coverage:	\$
Amount based on 100% of the operating loss:	\$

The proposed mortgage is \$ and is constrained by .

Mortgage Term

The underwriter concluded to a mortgage term of months, which is coterminous with the current first mortgage.

Type of Financing

The type of financing available to the mortgagor upon issuance of the commitment will likely be in the form of GNMA-backed securities.

Criterion E: Amount Based on Required Debt Service Coverage

The \$ _____ debt service limit was calculated using HUD’s guidelines. This is based on _____ % of the underwriter’s net operating income for debt service purposes of \$ _____, interest rate of _____ % and a _____ -year term (the insured loans must be coterminous). The proposed mortgage is constrained by _____; therefore, the underwritten debt service coverage is _____, which is _____ % of the estimated net operating income for debt service and MIP payments.

<<Note: If the debt service coverage rate is less than 1.45, justification/mitigation of the additional risk to HUD must be addressed in the Risk Factors section of this narrative.>>

Criterion J: Operating Loss Limit

The operating loss amount is \$ _____ based on the independent audit for the period _____ to _____. This is the period immediately following the cost certification cut-off period. The loss was determined in accordance with HUD requirements as certified by the CPA. The underwriter has reviewed the audit and finds no reason to modify its conclusion.

Program Guidance: *Certain project-related costs are disallowed in calculating the operating loss for an OLL. An operating loss is defined as the amount by which the sum of the taxes, interest on the mortgage debt, mortgage insurance premiums, hazard insurance premiums, and operating expenses exceed project income. The following disbursements may not be included: payment to mortgage principal, depreciation, payments to the reserve for replacement account, payments to the sinking fund, mortgagee fees, officer salaries, bad debts (rents/revenue that is deemed uncollectible) and charges incurred in connection with the application for the OLL.*

Conclusion

The proposed supplemental mortgage is constrained by the operating loss. The underwritten debt service coverage for HUD-insured mortgages is _____, which is _____ % of the estimated net operating income for debt service and MIP payments. The debt coverage of the insured loans is _____ against the trailing 12-months; _____ against the trailing _____ -months; and _____ against the borrower’s budget.

Sources & Uses – Copied From HUD 92264a-ORCF

<<Provide a statement of Sources and Uses of actual estimated cost at closing. Include all eligible and ineligible costs.>>

Circumstances that May Require Additional Information

In addition to the information required in this narrative, depending upon the facility for which mortgage insurance is to be provided, the mortgagor, operator, management agent and such other parties involved in the operation of the facility, current economic conditions, or other factors or conditions as identified by HUD, HUD may require additional information from the lender to accurately determine the strengths and weaknesses of the transaction. If additional information is required, the questions will be included in an appendix that accompanies the narrative.

Special Commitment Conditions

<<List any recommended special conditions. If none, state "None.">>

- 1.
- 2.

Conclusion

<<Provide narrative conclusion and recommendation.>>

Signatures

Lender hereby certifies that the statements and representations of fact contained in this instrument and all documents submitted and executed by lender in connection with this transaction are, to the best of lender's knowledge, true, accurate, and complete. This instrument has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the loan and may be relied upon by HUD as a true statement of the facts contained therein.

Lender: _____

HUD Mortgagee/Lender No.: _____

This report was prepared by: Date

This report was reviewed by: Date

<<Name>>
<<Title>>
<<Phone>>
<<Email>>

<<Name>>
<<Title>>
<<Phone>>
<<Email>>

This report was reviewed and the Date
site inspected by:

<<Name>>
<<Title>>
<<Phone>>
<<Email>>